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ATTORNEY GENERAL DARRELL V. MCGRAW, JR. AND PEIA SUE PEIA'S DRUG PROGRAM BENEFITS MANAGER

The West Virginia Public Employees Insurance Agency and Attorney General Darrell McGraw announced today that they have started legal proceedings against PEIA's former drug benefit administrator, Merck-Medco, a division of Merck & Co. Inc., (NYSE: MRK). The suit claims that Merck-Medco, now known as Medco Health Solutions, Inc., misled PEIA and misrepresented cost savings guaranteed to the Agency and its members while Merck-Medco administered PEIA's drug benefit program.

"Merck-Medco was hired to provide prescription drug management services for PEIA at a substantially lower cost than previous managers but instead Merck-Medco cost the State of West Virginia and PEIA's members even more money than previous companies," said Attorney General McGraw.

PEIA Director Tom Susman stated, "Prior to the Wise administration, the vendors were running the Agency. Governor Wise insists on strong fiscal management by those who do business with the State and that those companies are accountable for their actions. We saw that we had problem and ended our relationship with Merck-Medco."

Merck-Medco served as the Pharmacy Benefit Managers (PBM) from July 1, 2000 through June 30, 2002. In its contract with PEIA, Merck-Medco guaranteed that PEIA would save money on drug plan costs. PEIA relied on these representations in its award of the contract to Merck-Medco. Since then PEIA has learned that Merck-Medco did not meet the savings targets and instead may have cost the State of West Virginia millions. "Merck-Medco's conduct is unlawful and has caused harm to the citizens of West Virginia by increasing their prescription drug costs," said Attorney General McGraw.

The complaint filed in the Circuit Court of Kanawha County also alleges that Merck-Medco steered PEIA members to purchase Merck & Co., Inc. manufactured drugs even though they were more expensive than therapeutically equivalent drugs. Additionally, the complaint alleges that Merck-Medco kept rebates and discounts from drug manufacturers that should have been passed on to PEIA and its members.

In addition to Medco Health Solutions, Inc., the State also named Merck & Co., Inc., Medco Health Prescription Solutions, L.L.C., as successor in interest to Paid Prescriptions, L.L.C., and Merck-Medco Rx Services of Nevada, Inc., as defendants in this matter. The affiliated companies are headquartered in New Jersey.

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